

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 SSO-00 NSC-05 SY-05 USSS-00
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AMCONSUL JERUSALEM
AMEMBASSY TEHRAN
AMEMBASSY TEL AVIV
SECSTATE WASHDC 769

C O N F I D E N T I A L CAIRO 17539

BLUMTO 20

E.O. 11652: GDS
TAGS: OVIP (BLUMENTHAL, W. MICHAEL)
SUBJ: SECRETARY BLUMENTHAL'S VISIT TO EGYPT: MEETING WITH
PRIME MINISTER

1. SECRETARY'S CALL ON PRIME MINISTER MAMDOUH SALEM
EVENING OF OCT 22, AFTER PRIVATE 15-MINUTE TALK WITH
RESTRICTED ATTENDANCE, TOOK FORM OF HIGH-LEVEL
MEETING WITH GOE ECONOMIC LEADERSHIP BY SECRETARY,
AMBASSADOR EILTS AND RANKING MEMBERS OF SECRETARY'S PARTY.
PRESENT ON EGYPTIAN SIDE, IN ADDITION TO PRIME MINISTER,
WERE DEPUTY PRIME MINISTER KAISSOUNI, MINISTER OF ECONOMY
EL SAYEH, MINISTER OF FINANCE HAMED, CENTRAL BANK GOVERNOR
IBRAHIM, MINISTER OF STATE FOR CABINET AFFAIRS SUPERVISION AND
FOLLOW-UP ALBERT BARSOUM, PLUS OTHER SUBMINISTERIAL-LEVEL
ECONOMIC OFFICIALS.

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2. DISCUSSION MARKED FIRST OCCASION SECRETARY HAD MET
PRIME MINISTER SALEM. SUBJECTS COVERED, BOTH IN INITIAL
PRIVATE AND IN EXPANDED MEETING, WERE GENERAL IN NATURE.
PRIME MINISTER SALEM EXPRESSED APPRECIATION FOR U.S. COOPER-
ATION WITH EGYPT ON BILATERAL AND MULTILATERAL QUESTIONS.
REVIEWING PROGRESS OF GOE IN REDRESSING ECONOMY, PRIME

MINISTER SAID HE WAS OPTIMISTIC ABOUT PROSPECTS FOR 1978. HE SAID THAT EGYPTIAN PROBLEMS--CITING EXPLICITLY THAT OF POPULATION GROWTH--COULD BE SOLVED WITH ASSISTANCE OF EGYPT'S FRIENDS. IN THIS CONNECTION, HE MENTIONED SLOWNESS OF AID PROJECT IMPLEMENTATION, BUT STATED GOE WAS WORKING TO OVERCOME SUCH IMPEDIMENTS TO DEVELOPMENT. PRIME MINISTER LISTED PROJECT ACTIVITIES IN AGRIBUSINESS AND SUEZ CANAL IMPROVEMENT AS BEING AMONG THOSE OF PRIORITY INTEREST AND SAID THAT EFFORTS WERE BEING MADE IN ALL SECTORS TO DEVOTE MORE RESOURCES TO DEVELOPMENT. PRIME MINISTER COMMENTED THAT MILITARY REQUIREMENTS HAD DIVERTED LARGE PART OF RESOURCES AWAY FROM ECONOMIC DEVELOPMENT FOR AT LEAST LAST TEN YEARS.

3. FURTHER DISCUSSION INCLUDED COMMENTS BY DEPPRIMIN KAISSOUNI ON DEVELOPMENTAL OBJECTIVES AND ADDITIONAL DETAIL ON PROJECT AREAS VIEWED AS OF IMPORTANCE TO GOE. DR. KAISSOUNI NOTED THAT ONE GOAL OF DEVELOPMENTAL EFFORTS WAS TO DECREASE EGYPT'S RELIANCE ON FOREIGN ASSISTANCE BY 1981; HE NOTED, HOWEVER, AS IN EARLIER TALKS WITH SECRETARY BLUMENTHAL, THAT SUCH AID FOR FOREIGN EXCHANGE COSTS WOULD BE NEEDED IN INTERIM YEARS. PRIME MINISTER NOTED IN HIS FURTHER PRESENTATION THAT GOE HAD SOME 250 PROJECTS READY FOR FINANCING, CITING AGRICULTURAL AND CONSTRUCTION SECTORS AS OF IMPORTANCE TO COUNTRY'S NEEDS. PRIME MINISTER ALSO DISCUSSED VARIOUS AREAS SPECIFIED
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WITHIN NEW FIVE-YEAR PLAN FOR INVESTMENT ACTIVITIES, INCLUDING SOCIAL DEVELOPMENT, EDUCATION AND MINING (E.G., DEVELOPMENT OF PHOSPHATE DEPOSITS). DR. KAISSOUNI NOTED THAT 2,000 MILLION EGYPTIAN POUNDS IN INVESTMENT WAS PROJECTED FOR 1978.

4. FOLLOWING PRESENTATION BY PRIME MINISTER, SECRETARY BLUMENTHAL NOTED THAT HIS CURRENT TRIP WAS FIRST MAJOR INITIATIVE IN AREA OF FOREIGN RELATIONS HE HAS BEEN ASKED TO UNDERTAKE BY PRESIDENT CARTER. THE FACT THAT EGYPT WAS FIRST STOP ON THIS MISSION UNDERSCORED IMPORTANCE TO USG OF EGYPT IN FURTHERING MIDDLE EASTERN PEACE OBJECTIVES. SECRETARY NOTED RECENT PROGRESS OF GOE IN ADDRESSING ECONOMIC PROBLEMS, AND EXPRESSED USG'S WILLINGNESS TO CONTINUE BILATERAL AND MULTILATERAL COOPERATION. HE INDICATED THAT CONTINUED AID TO EGYPT WAS GENERALLY UNDERSTOOD POLICY OF USG, SUBJECT TO CONGRESSIONAL APPROVAL ON ANNUAL BASIS.

5. SECRETARY BLUMENTHAL NOTED TO PRIME MINISTER HIS (SECRETARY'S) PARTICULAR INTEREST IN ASSISTING EGYPT TO ATTRACT INVESTMENT FROM ABROAD AS MEANS TO MOBILIZE RESOURCES AND MANAGERIAL AND TECHNOLOGICAL ASSETS.

PENDING FORD AGREEMENT, HE SAID, WOULD BE ESPECIALLY
USEFUL IN FURTHERING THIS INVESTMENT PROCESS. SECRETARY
EXPRESSED HOPE IT WOULD BE ONLY FIRST OF SEVERAL TO
FOLLOW.

6. PRIME MINISTER RESPONDED ON THIS POINT BY EMPHASIZING
GOE'S COMMITMENT TO OPEN DOOR POLICY AND EXPRESSING WELCOME
FOR INVESTMENT BY U.S. FIRMS. PRIME MINISTER SAID HE
BELIEVED THERE WAS MAJOR CHANGE IN INVESTMENT CLIMATE
RECENTLY, NOTING ACCELERATED ACTIVITIES OF EGYPTIAN PRIVATE
SECTOR.

7. IN CONCLUSION SECRETARY BLUMENTHAL SAID THAT
HE FOUND DISCUSSION VERY USEFUL, AND EXPRESSED GRATITUDE
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FOR OPPORTUNITY TO MEET EGYPTIAN LEADERS.
EILTS

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